

**MINUTES
KITTY HAWK TOWN COUNCIL
Recessed Meeting, April 18, 2016
Kitty Hawk Town Hall, 9 AM**

Agenda

1. Call to Order
2. Review of Fiscal Year 2016-17 Budget
3. Mayor and Council Budget Discussion
4. Adjourn

COUNCILMEMBERS PRESENT:

Mayor Gary Perry, Mayor Pro Tem Craig Garriss, Councilman Ervin Bateman, Councilwoman Lynne McClean and Councilman Jeff Pruitt

STAFF MEMBERS PRESENT:

Town Manager Andy Stewart, Town Clerk Lynn Morris, Finance Officer Liliana Noble, Management Assistant Melody Clopton, Town Planner Rob Testerman, Police Chief Joel Johnson, Fire Chief Lowell Spivey and Public Works Director Willie Midgett

1. CALL TO ORDER

Mayor Perry called this meeting to order at 9:00 a.m.

2. REVIEW OF FISCAL YEAR 2016-17 BUDGET

Following is Manager Stewart's PowerPoint presentation on the proposed budget. Questions and answers were given during the presentation and are recorded at the end of his presentation.

(Slide 1) TITLE PAGE FOR THE FY 16-17 PROPOSED OPERATING BUDGET

(Slide 2) BUDGET OVERVIEW

- ▶ Proposed Budget is divided into 7 sections
 - ▶ Introduction – Budget Message & Budget Ordinance
 - ▶ General Fund Summary – Summary of General Fund Revenues and Expenditures

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- ▶ General Fund Revenues – Detailed Proposed Revenues
- ▶ General Fund Expenditures – Detailed Department Expenditures
- ▶ Capital Reserve Fund – Capital Reserve Fund Budget
- ▶ Appendix – Contains personnel and other budget documents
- ▶ Capital Improvements Plan – Five Year Capital Improvements Plan and Requests

(Slide 3) THE BUDGET OBJECTIVES

- ▶ Creates an environment that fosters and encourages investment in our Town
- ▶ Continues providing affordable services that improve the quality of life for our residents
- ▶ Maintains and sustains existing infrastructure, equipment, and facilities
- ▶ Continues growth and development of Town employees

(Slide 4) BUDGET OVERVIEW

- ▶ Total Revenues: \$9,406,055
- ▶ Total Expenditures: \$9,406,055
- ▶ Budget is balanced with no tax rate increase proposed

Tax Rate:

- ▶ .34 cents per \$100 valuation (.04 cents dedicated to BN)
- ▶ Additional .12 cents Municipal Service District Tax per \$100 valuation

(Slide 5) REVENUE HIGHLIGHTS OVERVIEW

- ▶ Budget reflects the \$1,627,571 payment from Dare County to offset Beach Nourishment Debt Service Payments
- ▶ Reflects increase of \$157,643 in Local Option Sales Tax from FY 15/16
 - ▶ *\$128,920 of this increase is restricted for BN in accordance with NC Statutes. (Note: Change from Draft Budget handed out last week)*
 - ▶ Reflects increase to Occupancy Tax in amount of \$125,000 from FY 15/16
- ▶ Reflects increase to Land Transfer Tax of \$78,084 from FY 15/16
- ▶ Reflects increase of \$86,000 increase in Electric Utility Tax from FY 15/16
- ▶ Reflects \$45,000 from Powell Bill Reserve for Byrd Street Drainage Improvements
- ▶ Reflects \$75,400 from Capital Reserves to offset purchase of Broom Tractor and Legal Fees for Condemnation

(Slide 6) GENERAL FUND EXPENDITURES

- ▶ Reflects principal and interest payment in amount of \$2,393,548 for Beach Nourishment
- ▶ Two Step Pay Plan Adjustment for starting salaries/across board
- ▶ ~~Fire Department Personnel Request – Add three full time firefighters and retain three part time firefighters~~
- ▶ Step Adjustment for Chief of Police

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- ▶ Increase to Worker's Compensation Premiums
- ▶ Capital Expenditures
- ▶ Increases unrestricted fund balance by \$85,101

(Slide 7) TWO STEP PAY PLAN ADJUSTMENT

- ▶ The budget proposes a two step pay plan adjustment. The adjustment would also apply to all full time employees and increase the starting pay range for all Town positions by two steps.
- ▶ The total cost to increase all positions by two steps is approximately **\$99,012.59**

(Slide 8) TWO STEP PAY PLAN ADJUSTMENT

Average Starting Salary Comparison

	Town of Kitty Hawk	TOTAL AVG MIN Range for KDH, NH, SS and Manteo		2 Step Pay Plan Adj.		
	MIN	AVG Starting Range	% Below AVG	New Minium	New % to AVG	Total Increase
Administrative Records Technician	\$ 38,051.60	\$ 42,602.00	-11.96%	\$ 39,620.57	-8%	0.04
Administrative Zoning Technician	\$ 38,051.60	\$ 42,964.50	-12.91%	\$ 39,620.57	-8%	0.04
Building Official	\$ 46,251.96	\$ 54,597.00	-18.04%	\$ 48,159.06	-13%	0.04
Police Detective	\$ 39,941.33	\$ 41,496.13	-4%	\$ 41,588.32	0%	0.04
Director of Planning	\$ 61,982.05	\$ 66,867.90	-8%	\$ 64,537.75	-4%	0.04
Finance Officer	\$ 59,030.53	\$ 69,377.77	-18%	\$ 61,464.52	-13%	0.04
Finance Technician	\$ 36,239.62	\$ 37,373.79	-3%	\$ 37,733.88	1%	0.04
Fire Captain	\$ 41,951.90	\$ 48,664.33	-16%	\$ 43,681.69	-11%	0.04
Fire Chief	\$ 65,081.16	\$ 70,834.67	-9%	\$ 67,764.64	-5%	0.04
Fire Insepctor/Code Enforcement	\$ 44,049.50	\$ 46,711.00	-6%	\$ 45,865.79	-2%	0.04
Firefighter I	\$ 36,239.62	\$ 38,741.67	-7%	\$ 37,733.88	-3%	0.04
Firefighter/Engineer	\$ 38,051.60	\$ 41,736.00	-10%	\$ 39,620.57	-5%	0.04
Master Firefighter	\$ 39,941.33	\$ 44,886.00	-12%	\$ 41,588.32	-8%	0.04
Ocean Rescue Director	\$ 44,049.50	\$ 49,538.00	-12%	\$ 45,865.79	-8%	0.04
Office Assistant/Receptionist	\$ 29,814.42	\$ 31,391.01	-5%	\$ 31,043.75	-1%	0.04
Police Chief	\$ 65,081.16	\$ 69,342.79	-7%	\$ 67,764.64	-2%	0.04
Police Lieutenant	\$ 46,251.96	\$ 51,502.67	-11%	\$ 48,159.06	-7%	0.04
Police Officer I	\$ 36,239.62	\$ 39,200.12	-8%	\$ 37,733.88	-4%	0.04
Police Officer II	\$ 38,051.60	\$ 40,521.69	-6%	\$ 39,620.57	-2%	0.04
Police Officer III	\$ 39,941.33	\$ 41,395.69	-4%	\$ 41,588.32	0%	0.04
Police Records Clerk	\$ 29,814.42	\$ 31,929.00	-7%	\$ 31,043.75	-3%	0.04
Police Sergeant	\$ 41,951.90	\$ 46,170.55	-10%	\$ 43,681.69	-6%	0.04
Public Works Director	\$ 59,030.53	\$ 66,255.63	-12%	\$ 61,464.52	-8%	0.04
Public Works Supervisor	\$ 34,513.93	\$ 40,172.34	-16%	\$ 34,513.93	-16%	0.00
Public Works Technician	\$ 29,814.42	\$ 31,854.25	-7%	\$ 31,043.75	-3%	0.04
Town Clerk	\$ 46,251.96	\$ 46,212.04	0%	\$ 48,159.06	4%	0.04
Management Assistant (HR)	\$ 41,951.90	\$ 63,423.00	-51%	\$ 43,682.69	-45%	0.04
		Avg Off Min	-11%		-7%	

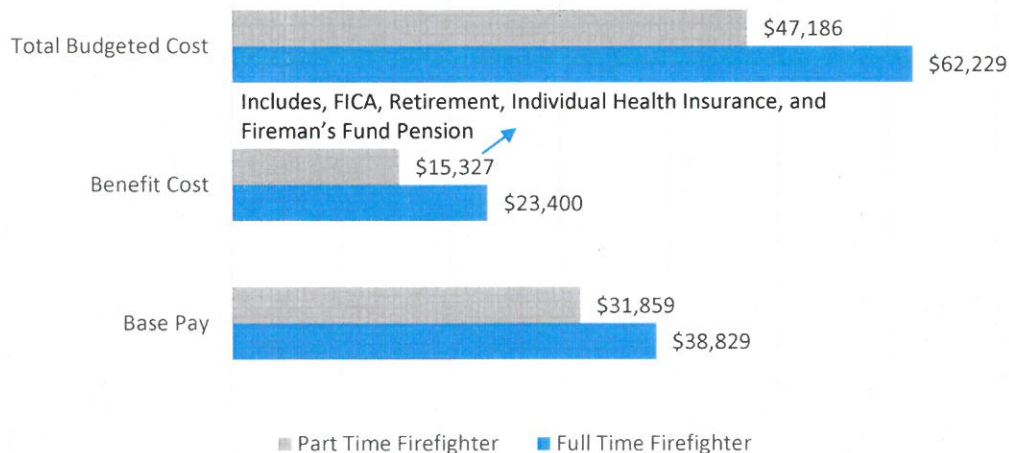
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(Slide 9) ~~ADDITION OF THREE FULL-TIME FIREFIGHTERS~~

- ▶ Budget proposes adding one additional full-time firefighter per shift. The Fire Department is currently staffed with two full-time firefighters and two part-time firefighters. The proposal would bring the shift to three full-time firefighters and one part-time firefighter per shift.
- ▶ Five of the eleven part-time firefighters are eligible for health insurance benefits in July 2016 under the Affordable Care Act. As a result of the Affordable Care, the cost to add a full-time firefighter is more affordable than in previous years and will reduce the turnover rate experienced among part-time firefighters. In the first year the Town currently invests \$10,071.99 to outfit and train a firefighter.

(Slide 10) COST ANALYSIS FROM PART-TIME TO FULL-TIME

**Full Time v/s Part Time Firefighter Cost
Difference**



(Slide 11) COST ANALYSIS FROM PART-TIME TO FULL-TIME

Cost to Town Compared to 2015-16 Budget



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(Slide 12) STEP ADJUSTMENT FOR CHIEF OF POLICE

- ▶ Promoted in 2013 with 15 years of experience at Kitty Hawk Police Department and 0 years as Chief of Police
- ▶ Completed 3 years of service as Chief of Police
- ▶ Responsible for largest number of employees and budget size
- ▶ Adjust from Step 4 to Step 9 in Pay Plan to recognize responsibility and portion of total years of experience with Town of Kitty Hawk
- ▶ Current Salary: \$67,764 Proposed Salary: \$76,467

(Slide 13) WORKERS' COMPENSATION

- ▶ Premium increase of 81% due to large claims over past three years.
- ▶ Town is currently soliciting proposals from other companies that offer Workers' Compensation.
- ▶ Increase has been budgeted in FY 16-17 and is contingent on proposals.

(Slide 14) MAJOR CAPITAL EXPENDITURES:

- ▶ Broom Tractor Replacement - \$83,100
- ▶ \$54,400 set aside in Capital Reserve for Purchase
- ▶ Annual Street Resurfacing - \$90,000
- ▶ Replace (2) patrol vehicles -\$63,000
- ▶ Purchase (3) SCBA Breathing Apparatus - \$18,500

Total Capital Purchases Proposed: \$378,600

(Slide 15) PROPOSED FUND BALANCE:

- Fund Balance as of FY 14/15 Audited Financial Statements

Total Fund Balance – General Fund	\$6,788,230
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Fund Balance Breakdown:

Prepaid items	\$ 23,467
Stabilization by State Statute	\$ 977,052
Streets-Powell Bill	\$ 258,721
Public Safety	\$ 6,288
Capital Reserve Fund	\$ 498,043
Appropriated Fund Balance	\$ 131,732
Working Capital/Fund Balance policy	\$3,500,000
Total remaining Unrestricted Fund Balance	\$1,392,927

- FY 16/17 currently proposes utilizing no unrestricted fund balance to balance budget.

3. BUDGET DISCUSSION

Manager Stewart reviewed the first four slides with council and noted the revenues increased around \$2.1 million dollars. He reminded council this is the year, 2016-17, that the county is going to be paying the Town to help off-set the cost of beach nourishment. The Interlocal Agreement says the county will pay approximately \$1.6 million and it is shown as a revenue.

Stewart: *(Slide 5) Thursday I received an email regarding having to restrict the Sales tax portion that we generate from the MSD for '15-16. It has to be restricted and used for the nourishment project. It is now separated out. In the revenue line item \$128,000 will be set aside. This is in accordance with North Carolina Statute and we did not think it would take effect until 2017-18. The mayor has been asking about it and now we have the answer.*

Perry: *We have a tax rate that will help pay for the construction and this may seem extra but we still need a maintenance program or fixing a hole so this money is required to be used for that. It does not necessarily mean it has to be pumped on the beach but it has to be available to do whatever repairs and other things maintenance-wise that might be required. It will be held aside for whatever comes later.*

Stewart: *The other two taxes shown are based on the same calculation but the state does not require us to set them aside. They go towards the operating budget. When we realized the \$128k had to be set aside, and it came out of the operating budget, we had to make some adjustments which I will show you on the expenditure side. Occupancy tax had an increase of \$125,000 as a result of, more than likely, the MSD and the extra 4 cents. We reflect an increase of Land Transfer tax of \$78,000. These are all numbers I received from Dave Clawson, Dare County Finance Director. Historically we have not really met whatever projections they send. This also reflects an \$86,000 increase in the electric utility tax. Based on what we budgeted in '15-16 we have already met that and we are going to exceed it. It reflects \$45,000 from the Powell Bill reserve for the Byrd Street drainage improvements. We will bring it into the budget to fund the Byrd Street drainage improvement project. We also have a grant that we are submitting and if it gets approved it will take this amount down to almost nothing but the full cost is budgeted. It reflects \$75,000 from Capital Reserves to off-set the purchase of a broom tractor and then some legal fees to be used regarding the condemnations. We had money sitting in reserves restricted for those uses that we are bringing into the budget.*

(Slide 6) *The large expense for the Town this year is going to be the \$2.3 million dollar principal and interest payments for the beach nourishment project. As you recall on the revenues side there is the \$1.6 million dollars from the county to off-set that expense and the Town will pick up the remaining difference. The budget requests a two step pay plan adjustment for starting salaries across the board. In a later slide I will show where our starting salaries are compared to other municipalities. We know that Kitty Hawk is unique and we do not have the services nor the size of Nags Head or Kill Devil Hills so we average everything out and we try to come as close as we can. We just do not want to fall further behind and the 4% will help.*

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I will get to a step adjustment for the Chief of Police on a separate slide. We have had an increase to our Workers' Compensation premiums and then there are the Capital expenditures budgeted. There is an increase to the Unrestricted Fund balance by \$85,000. The budget does not request to utilize any money from fund balance to balance the budget. The Town has built a very healthy Reserve Fund balance and I do not intend to utilize any money from it to balance the budget. I will show you what money has been set aside so this amount will actually go to zero. Because the Sales tax has to be restricted to beach nourishment that reduced the budget and we will not be able to increase the reserves by \$85,000 but I do not feel there is really a need to.

(Slide 7) *The budget proposes a two step pay plan adjustment. The adjustment would apply to all full time employees and increase the starting pay plan range for all town positions by two steps. Historically the town has done a good job in having a fair pay plan with a salary schedule of 2% between every step. I believe every year the council has given that 2% step but every once in a while it's good to analyze the whole plan to determine if your starting pays are marketable or competitive and that is what we did this year. The total cost to increase all positions by two steps is approximately \$99,000 so each step is about \$50,000 in the pay plan.*

(Slide 8) *This slide shows an average starting salary comparison. This is not something we went out and spent a lot of money to do. We made some phone calls and got the starting positions and compared them to our starting positions. The majority of our positions are a little under the average and some fall as high as 18% below average. When you start getting around 10% below average it gets difficult to hire qualified employees. That is the recommendation for the additional step in the plan. Bring those salaries up or keep them in line with the other towns and not fall too far behind.*

(Slide 9) *We have five part-time firefighters that qualify for individual health insurance coverage under the Affordable Care Act. The Town can either pay a penalty or pay at least the minimum individual coverage and the budget was proposing to go ahead and add three full-time firefighters.*

Currently the fire department is staffed with two full-time firefighters and two part-time firefighters on each shift and there are three shifts. We have six full-time firefighters right now and six part-time firefighters and the part-timers rotate in and out to cover those part-time shifts.

The proposal was to implement the additional firefighters slowly. There is a cost when we train a part-time position and I believe it is right around \$10,000 a year. That is what we estimate with training and purchasing equipment. The costs do go down if they stay with us but when they leave there is a cost. The Town has invested over \$10,000 in year one.

The plan was to add three full-time firefighters this year, analyze, and then decide next year, if funds are available, whether to add three more. Have four full-time firefighters on each shift. I did the cost analysis but having learned we have to restrict that Sales tax money I marked this request off because I could not balance the budget.

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(Slide 11) Jumping ahead I kept the information in this presentation to show council there is a \$58,000 increase to the personnel line item in the fire department budget because of the five firefighters that qualify for individual health insurance coverage with the Town. Because three would probably get full-time positions and the other two would still be eligible for health insurance coverage, the difference goes from a \$58,000 increase to \$85,000. It is about a \$30,000 increase to add three full-time positions and keep two part-time. If the Town decided to go with all six full-time firefighters we would be looking at about a \$154,000 increase a year versus \$58,000.

We have to pay the health insurance of \$58,000 even if they remain part-time. My proposal was in the middle and I think it was good to analyze it. However the revenues for the year ... I do not want to bring money in from the fund balance to balance the budget. I want to leave that alone, spend the monies coming in and not touch any of the Town's reserves to add new positions. This option has sort of gone away.

Perry: *Let me interrupt here because we are talking about whether we add or not add people and this is also affected by whether we keep adding trucks to our fleet. Chief, you are going to need to answer some questions as soon as I read this into the record.*

The fire chief is requiring three pumper trucks in addition to the ladder truck. Does this make sense for Kitty Hawk? There are five fire vehicles in current inventory. The chief wants to begin setting aside more money to replace one of the older trucks but not the oldest. That is currently scheduled to begin in 2017. I had the previous manager John Stockton move it out until '17 but we are talking about it today because we are talking about people versus capital.

(1) Chief, how many pumper trucks can the fire department reasonably man with the current complement of full-time, part-time and volunteers?

Spivey: *If everyone is there, all of them.*

Perry: *If you get a call can you man three trucks? You want three trucks, can you man three trucks?*

Spivey: *I can split the crew and send three trucks if I needed to yes sir.*

Perry: *Split the crew?*

Spivey: *Right.*

Perry: *Does that meet the state requirement?*

Spivey: *It meets the minimum of 4 on scene for each structure fire call and we get credit for each apparatus we get on scene regardless of how we get them there.*

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Perry: (2) *Can the ladder truck also be used as a third pumper without a six man crew?*

Spivey: *Yes sir.*

Perry: (3) *Per the state Fire Marshal and Office of Insurance website the minimum rating of 9s for a fire station is four men and one pumper truck for fire or fire structure response. Note this whole discussion concerns only a response to fire and none of the other things a fire department does affects property owner insurance premiums.*

(a) *Since we are currently rated at 5 we have more than the minimum equipment to meet basic state mandated fire response with equipment. I am not talking manpower. Is that statement correct?*

Spivey: *Yes sir.*

Perry: (4) *We currently have four pumpers of varying age. The oldest is a 1985 model. The next oldest is a 1991 model and this is the one you want to replace?*

Spivey: *Basically we replaced a 1985 with a new engine in 2015. We will maintain that 1985 as long as it is reasonable to keep it in service and use it as a reserve truck. During the ISO inspection we got credit for having a reserve engine which is what it is being used for right now. Currently that 1985 is on front line duty because I have an engine out of service until July. If we did not have it, if we had sold it when we bought the 2015, we would not be meeting state standards.*

Perry: *But what about the 1991?*

Spivey: *The 1991 is the next engine that is going to be in line because that '85 is going to have to go at some point. That will leave us with a bare minimum of three engines and one ladder on front line duty to maintain our 5.*

Perry: *But you have always stated you wanted to get rid of the '91.*

Spivey: *That is the next one we need to start planning for because it is 25 years old.*

Perry: *Didn't you just say you wanted to get rid of the '85 next?*

Spivey: *When we purchased the engine in 2015 we were replacing the 1985 telesquirt. When we did that I said it might be beneficial if we kept that truck in service, as long as it is feasible, as a reserve apparatus. That is what it is filling in as, or was, until the pump went down. If did not have the 1985, and with what had happened right now, we would not be meeting the minimum state standards.*

Perry: *So you are not using the '91 as a reserve.*

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Spivey: *No sir. That is on front line duty. Three engines and a ladder just like you said a while ago that is what is required to maintain our ...*

Perry: *But that is only because the Smeal is out of service.*

Spivey: *Yes sir.*

Perry: *For the time being let's assume you are going to repair the Smeal and get it back up. Then you have two reserves.*

Spivey: *No sir. We have a 1985 telesquirt that we are using as a reserve apparatus. Then we have a '91 apparatus that is the third on front line duty. The 2001 Saulsbury is second and the 2015 is first. Those are engines and needed to meet our fire flow based off protecting the town, being able to have enough needed fire flow to pump enough water to put out the fifth largest structure in town. Because we have more than five structures that are 35' or taller we are required to have a ladder truck and we have a ladder. We have a 2005 Smeal ladder truck. If we only want to be a 9s department then we can get rid of all of that and the insurance rates will probably more than double.*

Perry: *We have two new pumpers. The oldest is a 2001 model and that's the one that is broken at the moment. The newest is a 2015 model. Is that correct?*

Spivey: *Yes sir.*

Perry: *(5) We have a ladder truck that is capable of use as a pumper. Model year 2005. That is correct?*

Spivey: *If we have to yes sir. It has a pump on it.*

Perry: *Council. Things we must consider when deciding whether to continue this never ending saga of very expensive capital equipment: (1) can we man the existing fleet? The answer seems to be just barely. (2) are the older trucks still counted as pumpers so long as maintained, operational and remain available in the fire house?*

Spivey: *As long as they are serviceable and capable we can do that. How long that is going to last with the 1985 I don't know.*

Perry: *(3) Do we plan to increase the complement of personnel with full-time, part-time, and volunteers? Volunteers should always be at whatever level is possible. Does council have any intent to increase, or do you have a desire to increase, full-time personnel at this time?*

Pruitt: *I think the manager pretty much said what he thought we should do.*

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Perry: *However if you look at that chart you are not adding that much money. We have it available in excess money from being conservative in the past. We could man six more men and get past this point. We are being forced into it anyway.*

Bateman: *The manager told us ... but if the money is there for us to do it I say go ahead. I am not in favor of buying another truck. I am over the truck bit but to get the department up to speed with men I say do it.*

Perry: *I agree. How about the rest of you?*

Pruitt: *I think the manager was trying to give us, like we asked him, a balanced budget without dipping in. I think what you are asking is are we willing to dip in to offset the staffing we have been dealing with. To go ahead and nip this right now.*

Perry: *That's exactly what I'm asking.*

Stewart: (Slide 10) *I skipped this slide but I will go over it now. We are forced to pay for the health insurance and we are already paying for the pension costs and salaries. Really the only thing that separates them from full-time is we call them part-time but they are just about working full-time hours. This is a cost analysis of taking a part-time firefighter and making him full-time. It shows what the costs are to the Town. We currently spend about \$47,000 on a part-time employee and to bring them to a full-time status it is \$62,000. We are paying around \$15,000 in benefits and bringing them on full-time it goes up to about \$23,400. The base pay is about a \$7,000 increase. We lost 15% of the part-time firefighters this year. We are providing the training, purchasing gear and then when a full time job opens they are gone.*

Pruitt: *How many people is 15%?*

Stewart: *It was two people.*

Councilman Pruitt asked if staff has an average of how many people leave each year and Management Assistant Clopton replied she would get him the information.

Perry: *Do I need to go through the rest of what I have or are we all satisfied for me to make a motion? (Councilmembers replied they are ready for a motion).*

Mayor Perry made a motion to direct the town manager to instruct the fire department to use existing, newer firefighting apparatus in whatever configuration is appropriate for maintaining the current fire rating. The manager, in consultation with the fire chief, should determine the best use of older apparatus with regard to use as reserve status or scraping. The manager is further instructed to remove the purchase of new fire apparatus in the CIP pending future council direction. Councilman Bateman provided a second and the motion was unanimously approved, 5-0.

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Mayor Perry made a motion to use the unrestricted fund balance that has accumulated to establish six new firefighter positions and start the process of maintaining a minimum of four full-time firefighters on a shift in the fire department. Councilman Bateman provided a second. The vote was unanimous, 5-0.

Perry: *You will show in your budget taking the money from that reserve?*

Stewart: *Yes. The difference between the \$58,000 and the \$154,000 will be shown coming from the fund balance. I believe at year end we will probably not really take any money from the fund balance. I think our revenues will probably be more. I like to budget conservatively on revenues so we don't spend what we don't have. I think it will be a wash but I did not want to begin the year by taking money out of fund balance without council approval. I think we can make it work.*

Perry: *If you have three pumpers out there hooked up, pumping hard, where in Kitty Hawk could you meet the flow without running out of water? You ran out in Kitty Hawk Landing and there were problems on Worthington Lane. Is there any place in Kitty Hawk where three pumpers could maintain a steady flow for any length of time?*

Spivey: *On US 158 using that 18" line.*

Perry: *But nowhere else in Kitty Hawk?*

Spivey: *I have water to meet the needed fire flow in a lot of places but like you said not in the Landing and at the end of Worthington. There is not sufficient water in the county system.*

Perry: *Thank you.*

Stewart: (Slide 12) *The other adjustment that is recommended is to adjust Police Chief Johnson's salary from a Step 4 to Step 9. I feel this recognizes the responsibility level of the department he oversees. Budget wise it is the largest department and has the largest number of employees. When he was promoted in 2013 he did not have any experience as a chief and I believe he was promoted into the correct step. However, after looking it over and now that he has three years of experience as chief, I feel he has sort of met that probationary period. He is doing similar jobs of other chiefs in Dare County and this salary adjustment brings him more in line with them. It also recognizes he has been with the Town for 15 years. It will take his salary from \$67,000 to \$76,000.*

Perry: *I feel strongly there needs to be some explanation of what we are doing here and I want to read it into the record. This request is unusual because the prior manager, with the assistance of the Human Resources Officer, hired the chief at a level they thought appropriate after research, vetting and comparison. Our new manager is at a disadvantage concerning this issue and should not be viewed by anyone as someone new to council with an agenda to immediately raise salaries and benefits for employees. He is simply responding to an existing situation that council must resolve.*

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As you all know our form of council/manager government leaves sole authority to the manager to hire or fire Town staff. There is provision in our policy manual for a manager to seek council permission for bringing onto staff a new hire up to Step 3 of the pay plan. Anything above that requires council approval. The previous manager did not do that. When I became aware that the chief was unhappy with his pay I spoke with both the manager and the Human Resource Officer. Both were insistent that the pay grade and step offered, and accepted, were appropriate at the time of hiring. The manager also reminded me that council interfering in hiring was inappropriate since the published policy was followed. I pursued the issue no further.

Now we have before us a request to increase the individual salary step of the police chief. Per Article 3 of the pay plan, Section 3, paragraph 2, the town manager shall make such a recommendation for council approval if deemed necessary to maintain market competitiveness.

The floor is now open for council discussion and decision. Our decision requires a motion for the record. I have a recommended motion if you want to approve the increase otherwise a simple motion to deny would be appropriate. Craig, do you want to start?

Garriss: *Yes sir. I am sure everyone here is waiting for me to say something on this matter and I have a lot to say. Any decisions I make as a member of this town council, whether I make a motion to approve or deny something, are made because of what I think is best for the town staff and its citizens. I do not make any decisions on this council out of friendship let me be clear about that. Our chief's salary is not where it should be. I have heard the argument that Kitty Hawk is smaller than other towns or let's give him three years and we'll take a look at it. He's at three and a half years. No disrespect to anybody up here, and I really mean that, but I probably know what he does more than anybody else up here because of my profession. Past and present. I know what our chief does. I know what the other chiefs do. We are constantly getting commendations from our town manager at the end of our meetings for the police chief, fire chief, public works and our town staff. We have the best there is out there and I would put them up against anybody.*

This may be a good starting point. I do not like this salary and I don't think it is high enough. I really don't. I think we, as council, have to look out for our staff. I have a captain working for me at one of my hospitals who has been with Vidant for five years and is making more money, a considerable amount more money than our chief of police is right now. That is not right folks. I've looked at the salary ranges. I know you are comparing the other salaries and some of them are not even close. I am anxious to hear other comments.

Pruitt: *You can hire somebody with all the paper skills, all the badges and all the credentials you want but until you find somebody that loves your Town, the people, and serves your Town in the way that our chief has ... he was willing to stay where he is for three and a half years instead of choosing to go to work at Vidant. Also, I have not received a single complaint about the department at all. It has all been compliments. I certainly don't want to lose somebody that's dedicated 15 years and knows the people of our Town.*

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I would like to see Joel happy at his job and at a comparable rate with everybody else in this Town, county and the state. His job is tough. I would rather be a crabber any day than a policeman I can tell you that. There's no amount of money that would make me do it so he's worth every penny in my opinion.

McClean: *I think Joel does a fine job. Everybody that lives here feels comfortable. I don't know of anyone who has any kind of qualms or fears about going anywhere in the Town at any time. The police are responsive the times when I have needed them or my neighbors have needed them. They have been there. I think we need to take care of the man that takes care of us.*

Bateman: *This is the bottom line. The manager has made a suggestion and it is included in what he wants to do in the budget. I respect the manager for doing this. I respect what Joel does. Three and half years ago when the position was offered it was offered at this level and it was accepted. The following year the question came up should we do something and my response then was yes we need to and we're going to at some time.*

He has his feet wet now and does an outstanding job and so I am going by the recommendation of the manager and in accordance with Article III of the pay plan Section 3, paragraph 2, which states that the town manager shall periodically review individual salary ranges and make recommendations to maintain market competitiveness and I make a motion for the approval of the manager's recommendation to increase the police chief's current salary of \$67,764 to \$76,467, an increase of \$8,703. MPT Garriss seconded the motion and it passed unanimously, 5-0.

Stewart: (Slide 13) *Workers' Compensation. The premiums have increased by 81% from around \$50,000 to \$90,000. We are soliciting quotes from other providers and we hope we can get that rate down. They base rates off the previous three years and we have had some large claims recently. We may bring that back before council if there are some better options.*

(Slide 14) *Major Capital Purchases. For this fiscal year we are looking to purchase a broom tractor which has been in the CIP plan for the last two years. We set aside \$54,000 to make the purchase and the total cost is \$83,000. It will help with ocean overwash and cleaning up some of the roadways. Annual street resurfacing of \$90,000 is the annual amount we receive from the state and is the Powell Bill Fund. We originally were going to replace three patrol vehicles this year however the council has already approved an emergency purchase at our last meeting so we are only requesting two. There is also budgeted three self-contained breathing apparatus machines for the fire department for a total of \$18,500. The total capital expenditures is \$378,600.*

(Slide 15) *Proposed Fund Balance. We are going to change what is on this slide to add the six full-time firefighters. My budget did not plan to utilize any money from this balance. I have discussed this with the mayor who is up to speed on most of these issues. He helped me quite a bit with the budget and provided some good information. One of the things he wanted me to show is the fund balance at the '14-15 year end. We are in 15-16 and we will not have the final number*

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until we are audited but I don't expect the numbers to change too much. If anything I think the unrestricted fund balance will increase this year again. The total fund balance for the Town is \$6.7 million dollars and this slide shows the breakdown of what makes up that \$6.7 million. Stabilization by state statute is \$977,052 and is money required by statute to help the Town in times of a crisis.

Perry: *That number represents 8%. We are way above that obviously and we want to be way above it.*

Stewart: *We have to have at least \$977,052 or the auditor will make an audit comment. We have that set aside, we have money set aside for streets, public safety money, a Capital Reserve fund and in that year \$131,000 of the fund balance was to balance the budget. Council has a policy of keeping \$3.5 million dollars for emergency reserves. It is a large amount but it's definitely needed here. What it leaves us with, after all those monies are set aside, is \$1.4 million dollars in unrestricted fund balance. On top of the \$3.5 million there is \$1.4 million that can be utilized and there is \$977,000. That is the money you have set aside that is not earmarked for any particular purpose. The Town has done a great job, especially over the last several years, of building that fund balance*

This budget proposes leaving this alone but I think the Town has a pretty healthy reserve fund balance in place and after speaking with the auditor, and the mayor spoke with her as well, she recommends that you may want to keep it where it is and not continue to build it. People may begin to ask what we are doing with all of their money. I think the fund balance is very healthy and we need to conserve what's there and move forward. That is what my budget proposed. To balance the budget based on not utilizing any fund balance.

Perry: *And we just took the starch out of that with adding six full-time firefighter positions.*

Stewart: *I think we'll be able to work it out.*

Perry: *I agree with Teresa about building up enough but at some point you are hogging it and we don't want to do that. And you have done an excellent job and I'm happy with what we have here.*

A couple of things to keep in mind. With revenues, if the other towns increase their tax rate, then some of this is affected. His numbers may change to some degree once he gets a better financial picture and it comes time for us to adopt this budget.

The two step pay plan adjustment is an adjustment and it represents a 4% raise basically. I would like for you all to be thinking about something. When we did the pay step plan we ran it out for 20 years. I don't know that that's long enough. That probably should be 30 years. And look at that and make a recommendation to us one way or another because we have people staying here for 30 years. Maybe Lynn's going to be here 40 years. I don't know. Let's hope so.

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Stewart: *I don't believe that will have an effect because if an employee is maxed out they will receive a lump sum.*

Perry: *Exactly, but if we run it out 30 years we don't have that maxed out situation. Does council agree? (Councilmembers agreed with the mayor.)*

You will notice we are adding six full-time firefighters to what we already have but we are not talking assistant chief at this point. The manager and I discussed that issue and it is not going to come forward, at least in the immediate future. On page 6 you will notice the air compressor for the fire department was dropped off. I think the chief has informed the manager he is looking at a different type, maybe a cheaper and better type. So the forty grand is there when they want to purchase it. You will notice a change from how staff is proposing to use the IT money. The previous IT technician was recommending we set aside money and then buy all new computers all at one time so that everybody is on the same page. Now we have a different IT tech who's saying a different thing and is replacing computers as they go bad. I don't care as long as the manager is handling it.

Andy, on page 29, what is included under professional services?

Stewart: *We use that account number to pay building officials when our building inspector is out of the office.*

Perry: *Would you put something in there explaining it please? "Other" makes you wonder. I've been in government long enough and when I see "other" and "miscellaneous" it kind of jumps up at me.*

Also for consideration. I am not interested in it at this time but on page 38 you will notice the Fire House loan. That is the first time we've seen how much interest is being charged. It's \$60,000 a year. Basically that's two vehicles or what not. If we continue to have a healthy unreserved fund balance we can make a payment strictly to principle one year and soon you have gained that back for the taxpayers. Please think about that. It's not something we have to put in the budget but it is something we could do later if we want to.

On page 50, Storm Damage Reduction. That \$20,000 is being set aside for condemnation legal fees for the additional steps we're doing. We are getting consultants and it is for whatever else we might need. That might be low but I just wanted to point out what that is. The auditor said we needed to put that aside so that's the reason it's over there.

On page 53, the Capital Project Ordinance. I asked Andy if the date should be changed in Section 1. Is June 30, 2017 still a legitimate date on the project life?

Stewart: *I'll double check.*

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Perry: *I haven't informed council of the latest with what's going on with beach nourishment and the National Marine Fisheries Service (NMFS). Basically the county is in the process of going ahead and signing a contract for the beach nourishment so we can get it to the LGC. We still need the NMFS report and they are thinking around May 1st if all goes well. If we don't get it then everybody walks away and we start over. They are trying to do it in a way so we can continue on with this hiccup.*

Pruitt: *On page 40, under Ocean Rescue, I saw where the supplies doubled. Is that correct?*

Stewart: *Let me check on it for you.*

Pruitt: *The next is going to be on the Recreation Committee on page 46. There is a request for \$2,800 for repairs to playground. Is that the Paul Pruitt playground?*

Midgett: *Yes. It is for replacing the benches, spring horses, repairing the merry-go-round and hardware on the swing set. That number came from the Rec Committee.*

Pruitt: *Can you check that number for us?*

Midgett: *It's a little high because there are a couple of other things that were added that we are probably not going to do such as install some bird houses.*

Perry: *We have some money set aside in the Rec Committee budget and they want to spend it but we are using it for repair and maintenance.*

Midgett: *There was also a request for some purple martin houses to go up at Sandy Run or maybe some wood duck boxes to try and increase the wildlife in that area. Those have a little bit of cost to them but nothing too bad.*

Pruitt: *Are the benches torn up?*

Midgett: *We have repaired them a dozen times and we are going to put regular park benches in there. They will not be wood and they will not be able to kick out the backs of them. That's more or less what it is. Kids kicking out the back and things like that.*

Bateman: *Can we get the Eagle Scouts to build something for us?*

Midgett: *Yes we can. And there are plans on the DENR website for wood duck boxes and other things.*

Council agreed building bird houses and other items for the parks is a good project for the Boy Scouts and Eagle Scouts.

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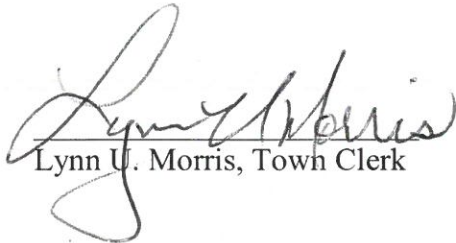
Perry: *Once you put that stuff up it has to be checked every year and cleaned out. A continuing maintenance concern.*

Councilmembers thanked the manager for all the hard work he put into the budget. Manager Stewart said the Town has a great staff and he appreciates their support and help with the budget, as well as Mayor Perry's assistance.

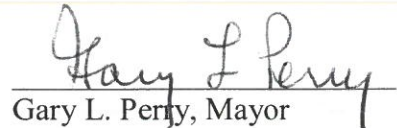
4. ADJOURN

MPT Garriss made a motion to adjourn. Councilwoman McClean seconded and the vote was unanimous, 5-0. Time was 10:09 a.m.

These minutes were approved at the June 6, 2016 council meeting.



Lynn U. Morris, Town Clerk



Gary L. Perry, Mayor